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Joint Economic Committee

Democrats

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SHRINKING CHILD TAX CREDIT LEAVES OVER 9 MILLION CHILDREN BEHIND NEXT YEAR

Dear Colleague:

The Republican tax bill that is about to emerge from conference will short-change low-income working families. Congress is poised to extend the current \$1,000 child tax credit into 2005. Without Congressional action, the child tax credit will fall back to \$700 next year. But a new report from the Joint Economic Committee Democrats ([see link](#)) finds that millions of low-income working families will miss out on the increase because of limits on the credit. Moreover, because many low-income families' earnings have failed to keep pace with inflation, they will lose all or part of their credit next year.

The earnings threshold for the child tax credit is indexed to inflation and next year will reach \$11,000. A full-time, year-round minimum wage worker making about \$10,700 annually does not even qualify for the child tax credit, because the earnings threshold is currently \$10,750. However, if Congress returns the earnings threshold for the child tax credit to \$10,000, 4.3 million low-income families with 9.2 million eligible children would receive higher child credits, according to a new report from the Joint Economic Committee Democrats. Setting the earnings threshold at \$10,000 next year and in future years would prevent working families from losing some of their credit if their earnings fail to grow as fast as inflation.

Despite the proposed increase in the credit amount, many low-income families would receive no additional tax relief. More than 6 million children's families will not receive a higher credit amount in 2005, and an additional 5 million children's families will not meet the earnings requirement and thus not receive any credit, according to estimates by JEC Democrats.

The Joint Committee on Taxation estimates that it would cost \$6.9 billion to keep the earnings threshold for refundable child tax credits at \$10,000 through 2010. This is a fraction of the \$61.5 billion cost of increasing the child credit to \$1,000 per child through 2010 – a tax cut that leaves out millions of children in low-income working families.

While Republicans purport to expand the child tax credit, their current proposals will actually leave millions of children behind. This amounts to a tax increase on working families.

Sincerely,

Pete Stark

Senior Democrat

Joint Economic Committee